

Message Text

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63

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 EB-11 COME-00 TRSE-00 OMB-01 AGR-20

IGA-02 EUR-25 SCEM-02 SCI-06 INT-08 STR-08 DRC-01

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PASS COMMERCE AND AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR ETRD ENRG VE US

SUBJ: SHORT SUPPLY OF US AGRICULTURAL MACHINERY

REF: STATE 241851

1. CARACAS NEWSPAPER CARRIED ON PAGE ONE DECEMBER 27 ARTICLE IN WHICH EXECUTIVE SECRETARY OF VENEZUELAN AGRICULTURAL BANK (BANCO AGRICOLA Y PECUARIO) CRITICIZED THE UNITED STATES AND EUROPE FOR SEVERELY LIMITING AGRICULTURAL MACHINERY EXPORTS TO LATIN AMERICA, AND ESPECIALLY TO VENEZUELA. OFFICIAL STATED THIS ACTION IN PAST MONTHS HAD PARALYZED PROCESS OF MECHANIZATION AND DEVELOPMENT OF AGRO-INDUSTRY HERE, IN PARTICULAR FOR SMALL FARMERS, AND IN EFFECT ATTRIBUTED LACK OF AGRICULTURAL DEVELOPMENT TO SCARCITY OF NEW MACHINERY FROM OVERSEAS SUPPLIERS. A FURTHER NEWS ARTICLE APPEARED DECEMBER 28.

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2. VENEZUELAN DISTRIBUTOR OF US MANUFACTURED INTER-

NATIONAL HARVESTER FARM MACHINERY, INTERSAN S.A., CONFIRMED TO EMBASSY THAT A SERIOUS SHORTAGE OF THIS EQUIPMENT DOES, IN FACT, EXIST AT PRESENT IN VENEZUELA. INTERSAN, WHICH SUPPLIES ABOUT 25 PERCENT OF FARM TRACTORS, ESTIMATED IT WOULD NEED TO IMPORT 750 TRACTORS DURING 1973, BUT WAS ALLOCATED ONLY ABOUT 150 BY US MANUFACTURER. VENEZUELAN DISTRIBUTOR TRIED TO FIND AN ALTERNATIVE SOURCE IN EUROPE WITHOUT SUCCESS. INTERSAN OFFICIAL CLAIMED ALL HIS COMPETITORS HAVE SAME SUPPLY PROBLEM.

3. INTERSAN ATTRIBUTES SHORTAGE OF US EQUIPMENT TO HEAVY US DOMESTIC DEMAND FOR FARM MACHINERY CAUSED BY US AGRICULTURE DEPARTMENT ALLOCATION OF 80 MILLION ADDITIONAL ACRES OF FARMLAND FOR CULTIVATION IN 1973. THERE IS AN ADDITIONAL VENEZUELAN FACTOR CONTRIBUTING TO LOCAL SHORTAGE OF EQUIPMENT, WHICH NEWSPAPER ARTICLE DID NOT MENTION. VENEZUELAN GOVERNMENT IN JANUARY 1972 FROZE RETAIL PRICES AT WHICH CERTAIN FARM MACHINERY COULD BE SOLD. INTERSAN HAD TO ABSORB TWO SUPPLIER PRICE INCREASES DURING YEAR BEFORE FINALLY SUSPENDING IMPORTATION OF FARM COMBINES AND CERTAIN TRACTOR MODELS. DOMESTIC PRICE FREEZE IS STILL IN EFFECT, AND EQUIPMENT DEALERS PLAN TO URGE NEW GOVERNMENT TO LIFT FREEZE AS SOON AS GOVERNMENT IS INSTALLED IN MARCH 1974. ALSO, EARLY IN 1974, INTERSAN OFFICIALS PLAN TRIP TO INTERNATIONAL HARVESTER HEADQUARTERS IN CHICAGO IN ATTEMPT TO SECURE MORE EQUIPMENT. THEY HAVE BEEN INFORMED BY US MANUFACTURER THAT US FUEL SHORTAGE MAY EASE US DOMESTIC DEMAND AND THEREBY FREE MORE EQUIPMENT FOR EXPORT.

4. COMMENT: EQUIPMENT SHORTAGES IN POLITICALLY SENSITIVE AGRICULTURAL SECTOR, ON TOP OF WELL-KNOWN RAW MATERIAL SHORTAGES - ALL OF WHICH CAN BE READILY BLAMED ON THE UNITED STATES AS THE TRADITIONAL SUPPLIER - CAN ONLY EXACERBATE OUR ECONOMIC RELATIONS WITH VENEZUELA. ASIDE FROM OBVIOUS ADVERSE EFFECT ON US EXPORTS TO THIS COUNTRY, IT COULD FURTHER ADD RESOLVE TO VENEZUELAN GROWING INTEREST IN PULLING OIL LEVER.

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5. ACTION REQUESTED: WHILE EMBASSY HAD VAGUE REPORTS OF FARM EQUIPMENT SHORTAGES OVER PAST FEW WEEKS, THIS IS FIRST PUBLIC COMMENT ON SUBJECT. CURRENT VENEZUELAN IMPORT STATISTICS NOT AVAILABLE. US EXPORT STATISTICS FOR ALL CATEGORIES TRACTORS INDICATE NEARLY \$3 MILLION DROP IN SHIPMENTS TO VENEZUELA FOR FIRST EIGHT MONTHS 1973 COMPARED TO SIMILAR PERIOD 1972. COMMERCE DEPARTEMTN ANALYSIS OF TRACTOR AVAILABILITY

FOR VENEZUELAN MARKET WOULD BE APPRECIATED. WHILE
EMBASSY WOULD BE AGREEABLE TO DISCUSS WITH VENEZUELAN
GOVERNMENT NEGATIVE EFFECT OF PRICE FREEZE ON RETAIL
SALES OF AGRICULTURAL EQUIPMENT IN LIGHT OF RISING
WORLD PRICES, IT WOULD BE POINTLESS TO DO SO IF US
EQUIPMENT NOT NOW AVAILABLE FOR EXPROT TO THIS MARKET
IN MEANTIME, AGRICULTURAL ATTACHE IS TRYING TO MAKE
APPOINTMENT WITH BANCO AGRICOLA Y PECUARIO TO CALM
THEIR CRITICISM.
MCCLINTOCK

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